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E.O. 11652: N/A
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SUBJECT: GAO REVIEW OF PEACEFUL NUCLEAR EXPORT POLICIES
OF MAJOR SUPPLIER NATIONS

REF: 76 STATE 310540

1. MICHAEL WILMSHURST, ENERGY DEPARTMENT, FCO, AND
CHRISTOPHER HERZIG, ATOMIC ENERGY DIVISION, DEPARTMENT OF
ENERGY, HAVE PROVIDED SOME OF THE INFORMATION REQUESTED
FOR THE GAO REVIEW. THEY CITE THREE MAIN DIFFICULTIES
FOR THE MATERIAL BEING INCOMPLETE: FIRST, THE TIME AL-
LOWED DID NOT PERMIT THE DETAILED RESEARCH WHICH WOULD
REALLY BE DESIRABLE; SECOND, NUCLEAR EXPORTS FROM THE UK
ARE DEALT WITH ON A CASE-BY-CASE BASIS AND THERE VERY
OFTEN ARE NO FIXED GUIDELINES WHICH CAN BE CITED IN AN-
SWER TO THE SPECIFIC QUESTIONS POSED; THIRD, WHERE GUIDE-
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LINES DO EXIST THEY OFTEN ARE RELATED TO CONFIDENTIAL
DOCUMENTS OF THE NUCLEAR SUPPLIERS GROUP AND WOULD THERE-
FORE BE UNSUITABLE FOR THE KIND OF REPORT ENVISAGED.
BRITISH OFFICIALS ALSO NOTE THAT MUCH OF THE INFORMATION
REQUESTED SHOULD BE AVAILABLE IN WASHINGTON, ALBEIT IN
UNDIGESTED FORM.

2. BACKGROUND ON NUCLEAR ACTIVITIES.

A. IN 1945 THE UK ESTABLISHED NUCLEAR RESEARCH CENTERS AT HARWELL AND RISLEY UNDER THE SUPERVISION OF A MINISTRY OF THE GOVERNMENT. IN 1950 A REVIEW OF PROSPECTS FOR GENERATING ELECTRICITY FROM A NUCLEAR REACTOR LED TO THE CONSTRUCTION OF THE WORLD'S FIRST INDUSTRIAL SCALE REACTOR AT CALDER HALL IN 1953. IN THE SAME YEAR, THE UK CONCLUDED THAT THE GROWING IMPORTANCE OF THE INDUSTRIAL APPLICATIONS OF ATOMIC ENERGY AND THE NEED FOR AN ORGANIZATION MORE AKIN TO THAT OF A LARGE INDUSTRIAL UNDERTAKING REQUIRED THAT RESPONSIBILITY SHOULD BE TRANSFERRED TO A NONDEPARTMENTAL ORGANIZATION. AS A RESULT, THE UNITED KINGDOM ATOMIC ENERGY AUTHORITY WAS SET UP IN 1954.

IN 1955, THE GOVERNMENT ANNOUNCED A TEN YEAR PROGRAM FOR NUCLEAR POWER. UNDER THIS PLAN, IMPROVED VERSIONS OF CALDER HALL (A MAGNOX REACTOR) WERE TO BE BUILT BY BRITISH INDUSTRY FOR THE VARIOUS AREA GENERATING BOARDS SO AS TO PRODUCE 1500 TO 2000 MEGAWATTS (MW) OF NUCLEAR POWER BY 1965. THE PROGRAM WAS SUBSEQUENTLY ESCALATED TO CALL FOR THE PRODUCTION OF 5,000 MW BY 1968. A SECOND STAGE OF THE UK'S NUCLEAR POWER PROGRAM WAS ANNOUNCED IN 1964 TO BRING THE TOTAL TO 11,000 MW BY 1975. AND IN 1974, THE GOVERNMENT ANNOUNCED A FURTHER PROGRAM OF UP TO 4,000 MW.

THE FIRST STAGE OF THE NUCLEAR POWER PROGRAM HAS BEEN LIMITED OFFICIAL USE

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COMPLETED. ELEVEN STATIONS ARE IN OPERATION WITH A TOTAL CAPACITY OF 5,300 MW. REACTORS EXPORTED TO ITALY (LATINA) AND JAPAN (TOKAI MURA) PRODUCE 200 MW AND 154 MW RESPECTIVELY. FOR THE SECOND STAGE, TWIN REACTOR STATIONS ARE STILL BEING CONSTRUCTED AT FIVE DIFFERENT LOCATIONS BASED ON THE ADVANCED GAS COOLED REACTOR (AGR) DESIGN DEVELOPED BY THE UKAEA. STATIONS FOR THE THIRD STAGE ARE SUPPOSED TO BE ORDERED DURING THE PERIOD 1974-78. THEY WILL EMPLOY REACTOR UNITS OF UP TO 600-660 MW CAPACITY BASED ON THE UKAEA-DESIGNED STEAM GENERATING HEAVY WATER REACTOR (SGHWR).

AN EXPERIMENTAL FAST BREEDER REACTOR (DFR) WAS BUILT AND HAS BEEN OPERATING AT DOUNREAY, SCOTLAND, SINCE 1959. AS THE WORLD'S FIRST FAST REACTOR TO PRODUCE ELECTRICITY FOR COMMERCIAL USE, IT GENERATES ONLY ABOUT 14 MW OF ELECTRICITY BUT ALSO IS USED AS A TEST BED FOR THE DEVELOPMENT OF FAST REACTOR FUELS AND MATERIALS. HIRE OF RADIATION SPACE IN THE REACTOR FOR EXPERIMENTS AND ASSO-

CIATED PREPARATORY AND POST IRRADIATION WORK HAS EARNED
MORE THAN 4 MILLION POUNDS FROM OVERSEAS CUSTOMERS.
THE PROTOTYPE FAST REACTOR (PFR) SHOULD PRODUCE 250 MW
OF ELECTRICITY WHEN IT REACHES FULL POWER AND PAVE THE

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WAY FOR THE LARGE FAST REACTORS THAT ARE PLANNED FROM THE
LATE 1970S ONWARD.

THE VARIOUS GOVERNMENT DEPARTMENTS AND AGENCIES INVOLVED
WITH NUCLEAR EXPORTS ARE (A) THE DEPARTMENT OF ENERGY,
WHICH MAINTAINS OVERALL SUPERVISION OF UK NUCLEAR POLICY
AND REVIEWS THE ANNUAL BUDGETS OF GOVERNMENT FUNDED
ACTIVITIES INVOLVING ENTITIES SUCH AS THE UKAEA, BNFL
AND THE NUCLEAR POWER COMPANY, (B) THE UKAEA, WHICH IS
PRIMARILY RESPONSIBLE FOR CONDUCT OF R AND D RELATING TO
THE WHOLE RANGE OF NUCLEAR ACTIVITIES, INCLUDING REACTOR
DESIGN, (C) THE NATIONAL NUCLEAR CORPORATION, A PARTLY
GOVERNMENT, PARTLY PRIVATELY OWNED CORPORATION ESTA-
BLISHED FOR THE PURPOSE OF BUILDING NUCLEAR REACTORS FOR

EXPORT AS WELL AS DOMESTIC USE, (D) BRITISH NUCLEAR
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FUELS, LTD. (DESCRIBED BELOW (E) THE FOREIGN AND
COMMONWEALTH OFFICE, WHOSE ENERGY AND ARMS CONTROL AND
DISARMAMENT DIVISIONS ARE RESPONSIBLE FOR DEVELOPING AND
COORDINATING INTERNATIONAL NUCLEAR ENERGY POLICY
INCLUDING THE NEGOTIATION OF BILATERAL AND MULTILATERAL
AGREEMENTS FOR COOPERATION AND INTERNATIONAL SAFEGUARDS
AND CONTROLS, AND (F) THE DEPARTMENT OF TRADE, WHICH,
AS SUCCESSOR TO THE BOARD OF TRADE, IS RESPONSIBLE FOR
EXPORT CONTROLS IMPOSED ON VARIOUS NUCLEAR RELATED EQUIP-
MENT AND MATERIALS.

B. BECAUSE OF ITS VIRTUALLY EXCLUSIVE DEDICATION TO
INDIGENOUS REACTOR CONCEPTS WHICH HAVE TENDED TO BE
TECHNICAL SUCCESSES BUT COMMERCIAL FAILURES, BRITAIN
HAS HAD AN EXTREMELY POOR REACTOR EXPORT RECORD. EXCEPT
FOR SMALL RESEARCH AND TRAINING REACTORS, IT HAS BEEN
UNABLE TO BREAK INTO THE COMMERCIAL EXPORT MARKET DOMI-
NATED BY U.S., GERMAN AND OTHER FIRMS WHICH ADHERE
TO LIGHT WATER REACTOR DESIGNS. EXPORT OF REACTOR COM-
PONENTS AMOUNTED TO ONLY 2.2 MILLION POUNDS STERLING IN
1975.

MUCH MORE SUCCESSFUL HAVE BEEN BRITISH EFFORTS IN THE
FIELD OF NUCLEAR FUEL SERVICES CARRIED OUT BY BRITISH
NUCLEAR FUELS LTD. (BNFL), WHICH WAS ESTABLISHED AS A
COMMERCIAL OFFSHOOT OF UKAEA SIX YEARS AGO. TO HANDLE
THE CONVERSION AND ENRICHMENT OF URANIUM, THE MANUFAC-
TURE AND SUPPLY OF URANIUM AND PLUTONIUM-BASED FUELS AND
THE PROVISION OF RELATED FUEL CYCLE SERVICES FOR NUCLEAR
POWER STATIONS AND THE REPROCESSING OF NUCLEAR FUEL
AFTER USE. EXPORTS FOR THE FINANCIAL YEAR ENDING 31
MARCH 1976 TOTALED 12.4 MILLION POUNDS STERLING COMPARED
TO 5.9 MILLION POUNDS STERLING THE PREVIOUS YEARS.
MAJOR CUSTOMERS ARE LOCATED IN GERMANY, JAPAN, ITALY,
SPAIN, FRANCE AND THE NETHERLANDS. THROUGH VARIOUS
AFFILIATES BNFL PARTICIPATES IN ALL ASPECTS OF THE TRI-
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PARTITE PROJECT WITH WEST GERMANY AND THE NETHERLANDS
FOR THE PURPOSE OF DEVELOPING AND MARKETING ENRICHED
URANIUM PRODUCED BY THE CENTRIFUGE PROCESS. SMALLER
ASSOCIATED COMPANIES ARE INVOLVED IN PROVIDING IRRADIATED
FUEL REPROCESSING SERVICES IN GERMANY AND ITALY.

THE PROSPECTS FOR CONSIDERABLE EXPANSION OF NUCLEAR FUEL REPROCESSING FACILITIES WITH A LARGE COMPONENT OF OVERSEAS BUSINESS DEPENDS TO SOME EXTENT ON ENVIRONMENTAL CONSTRAINTS AND INTERNATIONAL POLICIES AGREED TO BY MAJOR SUPPLIER COUNTRIES.

C. INFORMATION ON INDUSTRIAL NUCLEAR CAPACITY.

REPROCESSING OF IRRADIATED MAGNOX FUEL FROM UK AND OVERSEAS REACTORS IS THE MAIN ACTIVITY AT THE WINDSCALE WORKS. THE RATE AT WHICH MAGNOX FUEL CAN BE REPROCESSED HAS IN THE PAST BEEN RESTRICTED BY LIMITATIONS IN THE DECANNING PLANT. A MAJOR CAPITAL INVESTMENT PROGRAM FOR EXPANSION OF THE PRESENT MAGNOX PLANT HAS BEEN DEvised AND WILL PROVIDE FOR NEW MAGNOX FUEL RECEIPT, POND STORAGE AND DECANNING FACILITIES. PLANS FOR A MAJOR NEW OXIDE FUEL STORAGE AND REPROCESSING FACILITY FOR USE IN THE 1980S IS CURRENTLY A SUBJECT OF PUBLIC DEBATE. WHILE DESIGN AND DEVELOPMENT WORK ARE PROCEEDING, FINAL APPROVAL MUST BE OBTAINED FROM THE SECRETARY OF STATE FOR ENVIRONMENT. CONTRACTS TO REPROCESS FUEL FOR OVERSEAS CUSTOMERS PROVIDE FOR THE RETURN TO THE CUSTOMER OF THE RESULTING RADIOACTIVE WASTE WHICH WILL INVOLVE TURNING HIGHER ACTIVITY FISSION PRODUCT WASTES NOW STORED AS LIQUID INTO SOLID BLOCKS OF GLASS. NEGOTIATION OF CONTRACT TERMS HAVE BEEN COMPLETED WITHIN THE LAST YEAR

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WITH JAPAN AND SPAIN. DEVELOPMENT OF THE VITRIFICATION PROCESS FOR SOLIDIFYING PRODUCT WASTES IS PROCEEDING APACE. DESIGN AND CONSTRUCTION OF A SMALL SCALE PILOT PLANT TO HANDLE ACTUAL WASTE HAS BEEN UNDERTAKEN AND WILL BE FOLLOWED BY FURTHER DEVELOPMENT FACILITIES LEADING TO THE INTRODUCTION OF VITRIFICATION ON A FULL PRODUCTION SCALE IN THE MID-1980S.

PROGRESS IN CENTRIFUGE ENRICHMENT TECHNOLOGY HAS CONTINUED AND THE FIRST PROTOTYPE ENRICHMENT PLANT HAS NOW BEEN OPERATING SATISFACTORILY FOR ALMOST FOUR YEARS. THE SECOND PROTOTYPE PLANT HAS BEEN WORKING FOR OVER TWO YEARS WHILE THE FIRST FULL SCALE PRODUCTION PLANT WAS SCHEDULED FOR COMMISSIONING IN 1976. MEANWHILE THE DIFFUSION PLANT AT CAPENHURST CONTINUES TO PRODUCE ENRICHMENT.

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ENRICHMENT OF URANIUM FOR UK NUCLEAR POWER STATIONS WITH A MINIMUM OF PROBLEMS. ADDITIONAL CAPACITY FOR MANUFACTURING CENTRIFUGES HAS BEEN BUILT TO PROVIDE FOR ENRICHMENT PLANT REQUIREMENTS DURING THE PERIOD UP TO THE EARLY 1980S. FOLLOWING INTENSE MARKETING ACTIVITY IN 1974 AND 1975 WHEN URENCO LTD. (IN WHICH BNFL HOLDS A ONE THIRD SHARE) SECURED ORDERS FOR SOME 26,000 TONS OF SEPARATIVE WORK, THERE HAS BEEN A SLOWING DOWN IN THE ORDERING OF NUCLEAR POWER PLANTS AND HENCE A TURNDOWN IN THE TOTAL ENRICHMENT MARKET. NEVERTHELESS, URENCO LTD. HAS SUCCEEDED IN OBTAINING LETTERS OF INTENT FOR FURTHER BUSINESS WORTH SOME 200 MILLION POUNDS, THE WORK TO BE DIVIDED BETWEEN CAPENHURST AND ALMELO IN THE NETHERLANDS. THE CENTRIFUGE MACHINE DEVELOPMENT PROGRAM IS CONTINUING WITH THE OBJECTIVE OF PROVIDING A SECOND GENERATION MACHINE. DEVELOPMENT WORK IS PERFORMED IN CLOSE COLLABORATION WITH BNFL'S DUTCH AND GERMAN PARTNERS.

IT IS DIFFICULT TO SAY WHAT NUMBER OF NUCLEAR REACTORS MUST BE PRODUCED ANNUALLY TO MAINTAIN THE VIABILITY OF THE INDUSTRY. HISTORICALLY. AS A CONSEQUENCE OF POOR FORECASTING, THIS HAS BEEN A FEAST OR FAMINE BUSINESS IN THE UK. THE CURRENT 4,000 MW PROGRAM BASED ON THE SGHWR IS CONSIDERED BY MOST OBSERVERS TO BE A NONSTARTER, WITH THE REFERENCED DESIGN MORE THAN A YEAR AND A HALF

BEHIND SCHEDULE AND STILL NOT ACCEPTED. RECENTLY, THERE HAS BEEN RENEWED INTEREST IN SWITCHING TO LWR TECHNOLOGY LICENSED FROM THE U.S. OR WEST GERMANY. THE CENTRAL POLICY REVIEW STAFF HAS SUGGESTED A SCHEME WHICH WOULD RESULT IN THE NUCLEAR POWER COMPANY BECOMING A TURN-KEY ENGINEERING CONTRACTOR WITH ALL THE RESOURCES NEEDED TO COMPETE IN OVERSEAS, MAINLY MIDDLE EAST, MARKETS FOR NUCLEAR POWER PLANTS. GIVEN THE STATE OF PARALYSIS IN THE UK NUCLEAR REACTOR PROGRAM FOR THE PAST THREE YEARS DUE TO A COMBINATION OF POLITICAL AND ECONOMIC CIRCUMSTANCES, IT WOULD BE PREMATURE TO PREDICT SUCCESS OF THIS LIMITED OFFICIAL USE

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LATEST PROPOSAL. NONETHELESS, UNLESS THE INDUSTRY CAN LOOK FORWARD TO AT LEAST TWO NUCLEAR POWER PLANT ORDERS, EITHER FOREIGN OR DOMESTIC, EACH 18 MONTHS TO TWO YEARS, IT WOULD APPEAR DIFFICULT TO AVOID THE VIRTUAL DISAPPEARANCE OF AN ACROSS THE BOARD UK CAPACITY. IN THIS EVENT, BOILERS AND TURBO GENERATORS WOULD APPEAR TO BE THE MOST PROPITIOUS ITEMS FOR BRITISH MANUFACTURE.

D. STATUTORY REQUIREMENTS AND AGREEMENTS FOR COOPERATION.

1. ATOMIC ENERGY AUTHORITY ACT, 1954.
2. RADIOACTIVE SUBSTANCES ACT, 1960.
3. NUCLEAR INSTALLATIONS ACT, 1965.
4. NUCLEAR INSTALLATIONS (AMENDMENT) ACT, 1965.
5. STATUTORY INSTRUMENTS 1970 NO. 1288 - CUSTOMS AND EXCISE - THE EXPORT OF GOODS (CONTROL) ORDER 1970.
6. ATOMIC ENERGY AUTHORITY ACT 1971, CHAPTER 11.

(COPIES ARE BEING POUCHED.)

E. LIST OF NUCLEAR AGREEMENTS BETWEEN THE UK AND RECIPIENTS.

THE UK GENERALLY CONDUCTS ITS INTERNATIONAL COOPERATION IN THE PEACEFUL USES OF NUCLEAR ENERGY WITHOUT ENTERING INTO FORMAL AGREEMENTS. ONE EXCEPTION IS THE AGREEMENT WITH ROMANIA WHICH WAS NECESSARY TO SATISFY THEIR DOMESTIC REQUIREMENTS. A COPY OF THIS AGREEMENT IS BEING POUCHED.

F. REQUIREMENTS FOR TECHNICAL OR ECONOMIC JUSTIFICATIONS OR CRITERIA AS A CONDITION FOR NUCLEAR EXPORTS.

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UK POLICY ON THE EXPORT OF NUCLEAR EQUIPMENT MATERIALS
OR TECHNOLOGY WAS LAID DOWN BY THEN SECRETARY OF STATE
FOR FOREIGN AFFAIRS CALLAGHAN IN REPLY TO A WRITTEN PAR-
LIAMENTARY QUESTION ON MARCH 31, 1976, A COPY OF WHICH
IS BEING POUCHED. IN BRIEF, IT SETS OUT THAT A PROPOSED
EXPORT IS CONSIDERED ON ITS OWN MERITS WITH DUE CONSIDER-
ATION BEING ACCORDED THE NPT, THE EURATOM TREATY, AND
WHETHER OR NOT THE PROSPECTIVE CUSTOMER HAS CONCLUDED A
SAFEGUARDS AGREEMENT WITH THE IAEA.

NOTE: THE FOREIGN AND COMMONWEALTH OFFICE
STATES THAT IT IS NOT POSSIBLE TO COMMENT
FURTHER ON UK POLICY IN THE SUBJECT AREAS
WHICH FOLLOW WITHOUT BREAKING THE CONFI-
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DENTIALITY OF THE NUCLEAR SUPPLIERS GROUP.

G. REGULATORY AND LICENSING FUNCTIONS.

UNDER THE EXPORT OF GOODS (CONTROL) ORDER 1970, EXPORT CONTROL IS IMPOSED ON THE EXPORT OF PARTICLE ACCELERATORS, URANIUM HEXOFLUORIDE PRODUCTION PLANT AND MACHINES FOR PROCESSING NUCLEAR MATERIALS TO COUNTRIES OTHER THAN COMMONWEALTH COUNTRIES (EXCEPT SOUTHERN RHODESIA), THE IRISH REPUBLIC, THE REPUBLIC OF SOUTH AFRICA AND THE USA. THE LIST OF NUCLEAR-RELATED MATERIALS AND EQUIPMENT FOR WHICH AN EXPORT LICENSE IS REQUIRED, LAID DOWN IN THE 1970 ORDER, MAY SOON BE AMENDED.

H. SAFEGUARDS

THE 1972 ACT PROVIDING FOR ACCESSION TO THE EUROPEAN COMMUNITIES HAD THE EFFECT OF INCORPORATING THE COMMUNITY TREATIES AND THEIR DEPENDENT REGULATIONS ETC. WITHIN THE BODY OF UK LAW. UNDER THE ACT, EURATOM APPLIES SAFEGUARDS TO NUCLEAR MATERIAL WITHIN THE UK ASSIGNED TO PEACEFUL PURPOSES TO THE EXTENT NECESSARY TO VERIFY THAT (A) MATERIAL IS NOT BEING DIVERTED FROM ITS INTENDED USES AS DECLARED BY THE UK; AND (B) MATERIAL IN RESPECT OF WHICH A SAFEGUARDING OBLIGATION HAS BEEN ASSUMED BY EURATOM OR THE UK IS USED IN ACCORDANCE WITH THAT OBLIGATION.

AS A PARTY TO THE NPT, THE UK IS UNDER AN OBLIGATION NOT TO SUPPLY NUCLEAR WEAPONS OR TO GIVE ASSISTANCE IN PRODUCING WEAPONS TO NONNUCLEAR WEAPONS STATES. MOREOVER, THE UK CANNOT SUPPLY NUCLEAR MATERIAL FOR PEACEFUL PURPOSES UNLESS THE MATERIALS ARE SUBJECT TO SAFEGUARDS UNDER AN AGREEMENT WITH THE IAEA.

IN 1967 THE UK UNDERTOOK THAT WHEN INTERNATIONAL SAFE-LIMITED OFFICIAL USE

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GUARDS WERE INTRODUCED IN NONNUCLEAR WEAPONS STATES TO IMPLEMENT THE RELEVANT NPT PROVISIONS, THEY WOULD ACCEPT SIMILAR SAFEGUARDS IN THE UK SUBJECT TO EXCLUSIONS FOR REASONS OF NATIONAL SECURITY. IN ADDITION, SOME BILATERAL AGREEMENTS WITH THE UK ALLOW THE SECOND STATE THE RIGHT TO APPLY SAFEGUARDS TO ITS NUCLEAR MATERIAL AFTER TRANSFER TO THE UK. SUCH SAFEGUARDS ARE FROM TIME TO TIME INVOKED, NOTABLY BY CANADA. REEXPORT WITHOUT THE PERMISSION OF THE SUPPLYING STATE IS USUALLY PROHIBITED.

APART FROM THE RELEVANT PROVISIONS OF THE EURATOM TREATY AND REGULATIONS, THE ONLY ITEM OF UK LEGISLATION RELATED TO THE ABOVE MENTIONED INTERNATIONAL REQUIREMENTS IS S.I. 1970 NO. 1288 IMPOSING EXPORT CONTROL ON CERTAIN

NUCLEAR MATERIALS AND EQUIPMENT.

I. PHYSICAL SECURITY.

APPROPRIATE SECURITY PRECAUTIONS AGAINST SABOTAGE OR
TERRORIST ATTACK BOTH AT NUCLEAR INSTALLATIONS AND ALL
FISSILE MATERIAL IN TRANSIT ARE TAKEN IN CONNECTION WITH
ALL NUCLEAR ACTIVITIES AND ARE KEPT UNDER REGULAR REVIEW.
ARMED GUARDS ARE USED ON CERTAIN SITES AND TO ACCOMPANY
FISSILE MATERIAL IN TRANSIT.

J. NUCLEAR EXPORT FINANCING.

AS NOTED ABOVE, THERE IS NO POLICY LAID DOWN BY THE UK
ON EXPORT FINANCING. THE PROS AND CONS OF EACH CASE
ARE EXAMINED ON ITS OWN MERITS.

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